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SUBJECT: CHINA HOSTS AFRICAN DEVELOPMENT BANK MEETING

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CLASSIFIED BY: Simon Schuchat, Deputy Principal Officer , ,
U.S. Consulate Shanghai.
REASON: 1.4 (b), (d)

11. (C) Summary. Chinese Premier Wen Jiabao opened the African Development Bank (AFDB) 2007 Annual Meetings in Shanghai on May 16 with a speech that stressed China's sincere commitment to helping Africa develop and acknowledged that China needed to further implement its own financial sector reforms, including greater market-driven exchange rate flexibility. During an AFDB-sponsored ministerial roundtable on May 15, African representatives welcomed more Chinese assistance, but cautioned that there should be more coordination among African nations to ensure that Africa's partnership with China would lead to sustainable growth and not just "some holes in the ground and jobs in other countries." This cable reports on Premier Wen Jiabao's statements and the interaction between China and African nations at the AFDB meetings. We defer to our colleagues at the Treasury Department for reporting on the technical and non-China aspects of the meeting. End Summary.

CHINA COMMITTED TO AFRICA

12. (SBU) During the Opening Ceremony of the African Development Bank's (AFDB) opening ceremony 2007 Annual Meetings in Shanghai on May 16, Chinese Premier Wen Jiabao delivered a speech that laying out China's commitment to helping Africa develop. Rwandan President Paul Kagame, Cape Verde President Pedro Pires, Madagascar President Marc Ravalomanana, and Shanghai Mayor Han Zheng also attended the ceremony. Premier Wen applauded Africa for its steady progress in maintaining peace and stability and promoting regional cooperation. He called on the international community, in particular developed nations, to take more measures to assist Africa, including providing more financial assistance, cancel debts, and increase technology transfer.

13. (SBU) Premier Wen noted that China has had a long relationship with African nations. Since it began establishing diplomatic relations on the continent five decades ago, China has participated in 900 infrastructure and public projects, provided 20,000 government scholarships to 50 countries and sent 16,000 medical personnel to 47 countries to treat 180 million people. It extended zero-tariff treatment to the exports of some of the least developed nations and provided market access to many African nations. China also has already cancelled RMB 10.9 Billion in debt and recently announced additional debt

relief of RMB 10 Billion.

¶4. (SBU) Premier Wen stressed that China would fully deliver on the commitments made at the China-Africa Forum in Beijing in November 2006, which included doubling assistance by 2009 and setting up a USD 5 billion fund to finance African countries development and support Chinese enterprises in Africa. At the forum, China promised to establish a new type of strategic relationship with Africa that emphasized political cooperation, a win-win economic relationship, and increasing cultural exchanges. China and Africa needed to do more to explore new areas of cooperation. Government assistance and business cooperation should also go "hand-in-hand" with the government providing guidance to businesses investing in Africa. Priority for cooperation should be placed on certain areas including infrastructure, education, environment, medical, and technical cooperation. In addition, this cooperation should be conducted in an open and transparent manner. Finally, China was "truly sincere" in its intentions of helping Africa to obtain sustainable development.

CHINA'S ECONOMIC DEVELOPMENT

¶5. (SBU) Premier Wen reported that China's overall economic and financial systems were good, but there continued to be problems. China had made significant reforms in the financial sector to modernize its banking system and improve the market. However, the economy suffered from a growing imbalance in international payments, rapid accumulation of foreign exchange reserves, and excessive liquidity. There needed to be deeper reforms in China's financial sector. In particular, China needed to improve the foreign exchange mechanism, giving greater scope to the role of the market and introducing greater interest rate flexibility.

AFRICAN NATIONS ENTHUSIASTIC, BUT CAUTIOUS

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¶6. (C) During the May 15 AFDB Ministerial Roundtable on the theme of "Africa and Asia: Partners in Development", African representatives were enthusiastic about China's increased attention to the continent. A few speakers from African nations said the fact that China was hosting the AFDB meetings was evidence of the strength of the relationship between China and Africa. Many spoke about the Asian model of development and wondered whether this model was more appropriate for Africa than those of Western nations. A representative from Kenya asked how long Africa's orientation towards its former masters would continue. Kenya believed that Africa should look all around to the North, East, South and West for assistance. Economist Jeffrey Sachs said China had one trillion in foreign reserves and a large savings rate. If China provided even one percent of this money to Africa, it would provide Africa with a chance to have massive growth.

¶7. (C) Bank of China Governor Zhou Xiaochuan also participated in the roundtable. He said that Asia and Africa had many similarities and common interests which would serve as a base for long-term mutually beneficial partnership. Closer China-Africa relations were a part of a greater trend in which economic comparative advantages were shifting from the West to Asia. For example, factories that used to be in Japan in the 1950's, had shifted to South Korea, then to China and now to Vietnam. Perhaps, these factories would move to Africa in the future. Cooperation should be mutually beneficial; China was ready to play an even more active part in helping Africa develop.

¶8. (C) Some African representatives had a rather cautious attitude to China's increased attention to Africa. One representative said African nations must enhance cooperation among themselves before entering into any cooperative relationship with Asia or any other non-African country. While the rapid rise of China and India, provided enormous

opportunities for sustainable growth, it was also a significant threat to Africa. African countries should adopt a strategic approach to this relationship to maximize the positive benefits.

A representative from South Africa had a similar view and said that African nations must look to themselves to ensure that the relationship was mutually beneficial. Otherwise, African nations would just end up with "some holes in the ground and jobs in other countries." Africa needed to develop a regional economic community and not negotiate 53 separate agreements with countries like China. His comments garnered a great deal of applause from the mostly African audience members.

CONFERENCE ATMOSPHERICS

19. (C) There were few Chinese participants in the meetings attended by Poloff and most of the discussions were technical and African-specific. Participants with whom Poloff spoke were pleased overall with their Chinese hosts. One member of the U.S. delegation told Poloff that this conference was more "pomp and ceremony" than other AFDB conferences and appeared to be good PR for China.

COMMENT

10. (C) Premier Wen's presence at the meeting and the fact that China agreed to host the meeting are all indications of the great importance that China has placed on its relationship with Africa. China is clearly trying its best to woo African nations. Shanghai is China's most developed city and a testament to China's development policies and economic strength.

African delegates were clearly impressed by the city and took note that much of Shanghai's development had taken place in the past 15 years.

JARRETT